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The free coinage of silver

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VOL. IV.

APRIL, 1890.

No. 23.

THE FREE COINAGE OF SILVER.

THE EXAMPLE OF MEXICO.

A. J. WARNER, of Ohio, in a speech accepting the chairmanship of a convention held in St. Louis, in November, 1889, for the purpose of advocating free coinage of silver in this country, referred to the act of Congress of 1873, by which the gold dollar was made our sole monetary unit, as "worse than a blunder." Ten years ago he and the other so-called silver-men of the country probably would have said that the passage of this act was effected by a conspiracy and by stealth. Possibly many American citizens still regard the dropping of the silver dollar from our coinage by the act of 1873 as the deliberate attempt of mysterious financial potentates to force the people of this country to pay, in gold, debts which might otherwise have been paid in silver.

At the time of the silver agitation which culminated in the act of 1878, authorizing the coinage of silver dollars, the circumstances surrounding the passage of the act of 1873 were closely examined, and every possible conjecture as to the motive of the authors of that act was submitted to a test of probability. It was established beyond controversy that the failure to continue the old silver dollar as a legal-tender coin was due solely to the fact that it was not, and had not been, for at least a generation previous, in use as a monetary unit in this country. In the four months following the passage of the act of 1878 more silver dollars were coined than in all the time since silver-dollar coinage was first authorized by the act of 1792 up to the discontinuance of the coinage in 1873. Of the old silver dollars \$8,045,838 had been coined in the eighty-one years previous to 1873. From February 28 to June 30, 1878, \$8,593,500 were coined.

What would have been the result had the act of 1873 continued the old silver dollar, though actually not in use, as a legal-tender coin? If the decline in the price of silver, which began in 1873, had found the mints of the United States obliged to accept silver bullion and give in exchange therefor coined silver dollars of four hundred and twelve and one-half grains each, nine-tenths fine, which would be a legal tender in payment of debts, it is hardly doubtful that the manufacture of these coins would have been demanded and carried on with all possible rapidity, and that the currency of the country at the resumption of specie payments in 1879 would have been based upon the silver dollar as its monetary unit.

I do not propose to go into an elaborate statement of the effect which the opening of the mints of the United States for free coinage of silver during the years following 1873 would have had upon the price of that commodity. The silver production of the world largely increased in those years, and the price of silver rapidly but gradually declined until, in 1888, it reached the lowest point in comparison with gold which it has ever touched. In the light of experience it cannot be contended that the United States, by adopting an exclusive silver coinage and exporting its gold could have prevented wholly this decline. Instead of accumulating a stock of gold, this country would have accumulated a stock of silver dollars. The gold—something like \$500,000,000—which has been either produced here or imported since 1873 would have found its market elsewhere, and we should have had, say \$1,000,000,000 or more of silver dollars in the banks or Treasury, or in the hands of the people. What would have been our condition commercially and financially had this taken place?

For the purpose of picturing our condition under such circumstances we have a close analogy in the experience of our neighbor republic, Mexico. The most notable product of Mexico is silver. The government of Mexico, whether in the old time when it was a colony of Spain, or during the many changes which it has experienced since the declaration of independence in 1821, has always attempted to encourage and carefully watch the silver-mining industry. Before 1850 it is calculated that two-thirds of the silver in use in the world had come from the mines of Mexico. It has been the policy of the rulers of Mexico, from time immemorial, to compel all silver taken from the mines to pass through the mints. Even now this is the law. All precious metal, both gold and silver, when taken from the mines, must be sent to the mints to be refined, and the mint charge, supposed to be uniform and said to be about 4.41 per cent of the value of the metal, is levied upon all silver and gold alike. This charge is

compulsory on all the products of the mines, and the owner of the metal may receive from the mint either coin or bullion at his option. Whether he chooses to take coin or bullion the charge is the same. A very large proportion of the precious metals which pass through the mints of Mexico comes out in the form of coin. Mexican silver dollars are a well-known article of commerce. The coinage of the mints is much greater for this reason than the monetary affairs of the country require. Consequently there cannot be a scarcity of metal money. The coinage of the mints is in large quantities taken for immediate export and never passes into circulation at all.

The following table exhibits approximately the coinage of silver and gold since the conquest of Mexico by Cortez, the coinage in this case being almost identical with the production:

COINAGE OF MEXICO FROM 1537 TO 1873 (BEGINNING OF FALL IN PRICE OF SILVER).

Gold.	
Colonial, 1537 to 1821.....	\$68,778,411
Independence, 1822 to 1873.....	43,598,020
	\$114,376,431
Silver.	
Colonial, 1537 to 1821.....	\$2,082,260,656
Independence, 1822 to 1873.....	758,822,710
	\$2,841,083,366
Since decline in silver began, July 1, 1873, to June 30, 1888.	
Gold.....	\$8,386,069
Silver.....	350,594,608

By the laws of Mexico the so-called bimetallic standard is established. Both silver and gold are legal tender. Previous to the fall in silver the currency of the country consisted of both gold and silver coins. Travellers report that the tables in the gambling-houses held piles of gold "onzas" as well as silver "pesos." Gold was used for larger transactions, and being more convenient for transportation, performed the principal service. The conditions in Mexico, therefore, when the decline in the price of silver took place, were similar to those which would have existed in this country had not the free coinage of the silver dollar been suspended by the act of 1873. There was an abundant supply for monetary use either of silver or gold in Mexico.

When, however, the fall in silver took place, the gold coin was rapidly exported, and disappeared from circulation. The difficulty in effecting domestic exchanges, by reason of the greater weight of the silver, caused a notable embargo on internal commerce. The

disturbed condition of the country made the transportation of large amounts of silver very precarious, and the rates of exchange between the capital and the chief towns became very high, and constituted an almost total prohibition of trade. The unreliability of the government rendered banking unprofitable, for a bank vault containing precious metals afforded a temptation too strong to be resisted by the military chiefs temporarily in power. The issue of note circulation under these circumstances was impossible. For ten years following the fall in silver Mexico remained dependent entirely on silver dollars as a medium of exchange. This caused great complaint from foreigners undertaking to do business in the country. Travellers were obliged to carry heavy bags of silver dollars, and every enterprise of moment was compelled to employ a mule train and an armed guard in effecting its regular business transactions.

When the government became more stable, after the railroads were built and brigandage was suppressed, and the party in power showed ability and determination to protect commercial credit, banks of issue sprang up, and paper money began to take the place of silver dollars. The National Bank, which had existed for a few years previously, was reorganized in 1884 under a new charter. This was soon after the second election of President Diaz. The first statement of this bank after reorganization, June, 1884, shows that it had in its vaults \$2,890,274.85 in silver, and had a paper circulation outstanding of \$4,341,377. About this time it was estimated that the coin circulation of the country was from \$15,000,000 to \$20,000,000 of silver dollars.* This I think an underestimate.

The National Bank at the present time (October, 1889) reports in its vaults in specie \$12,304,206, and a paper circulation outstanding of \$15,352,229. The London and Mexican Bank, the second largest in Mexico, reports \$3,357,793 "cash," and an outstanding circulation of \$5,344,698. This indicates a rapid increase in recent years in the circulating media of Mexico. In addition to the banks here mentioned there are in nearly all the principal cities banks which have some outstanding note circulation.

The population of Mexico is about twelve million. The rapid increase in the circulating media, it may well be supposed, has had a stimulating effect on the trade of the country. But even when thus stimulated it fails to attain what we would call a condition of activity. There has been some rise in prices. Staple commodities, however, are said not to be materially affected, but the prices of real estate in the capital, and the wages of laborers along the lines of the

* D. A. Wells: "A Study of Mexico."

railroads and in the principal cities, have increased from twenty-five to fifty per cent. The import and export business of the country has also increased somewhat. It is probably thirty per cent greater in volume than it was ten years ago. Government revenue has also shown an increase, but is still very small in comparison with that of other countries. The Mexican tariff on importations is said to be higher than that of any other country. Its foreign trade is limited and harassed by vexatious and intricate customs regulations. The internal trade of the country is hampered by irregular taxes levied on common commodities by the various States. Retail trade and banking operations are burdened by stamp taxes. The cities of Mexico levy petty taxes on food products, even on the canoe-loads of radishes or lettuce which the poor peons bring to market. A burro's load of fagots is taxed at the gates of the city of Mexico. Contending with such unwise and variable restrictions commercial affairs must be limited in magnitude, and must remain in anything but a flourishing condition.

It interests us at the present time to trace the influence which the exclusive use of silver as a monetary basis has on the commerce and finances of Mexico. It is not to be contended that the sluggishness and unprofitableness of Mexican trade is chargeable solely to the silver currency. The mediæval methods of collecting government revenue there would effectually prevent general prosperity, even if the soundest and most perfect monetary system prevailed. Yet I think there is a peculiar phase of the paralysis which affects Mexican commerce which may be attributed directly to the use of silver as the standard of value. There first is the inconvenience and expense involved in each movement of a considerable sum of money. Silver coins, even when at par with gold, in Mexico and in the United States, are sixteen times heavier than equal values of gold. Whenever, therefore, it is necessary to transport a round amount of money the expense is sixteen times more if it be in silver than if in gold. But this is not the only or the most burdensome evil which the use of silver money inflicts upon the Mexican people.

The American traveller in Mexico experiences an agreeable sensation when he exchanges his United States funds for Mexican money. For every \$100 of American money he receives from \$135 to \$140 of Mexican money. The purchasing power of his funds appears to have expanded. Nor is this altogether a delusion. Those commodities and services which a traveller requires are not notably higher in the city of Mexico, in Mexican currency, than they are in the United States, in United States currency. Hotel and restaurant charges, carriage hire, railroad fares, and articles of common use produced in the

country are generally obtainable at about the same figures as we are accustomed to pay in the United States.

The effect of this is that the American money which a traveller carries procures for him much more than it would in his own country, and his return across the border is accompanied by a disagreeable sensation when he sees his funds dwindle to their old proportions. Mexico, to the American traveller, seems therefore a land where living is cheap, and where a given amount of income from the United States will go much further than at home. The first impression is that surplus funds from the United States placed in Mexican investments should prove very profitable. But a closer examination and a little experience removes or dissipates this view. The experience of investors in Mexican enterprises, railroads, banks, mines, and haciendas, shows that there is an annual loss from a decline in the domestic currency which offsets the apparent profit. Reports of the railroad companies and of the banks owned by Englishmen or Americans contain each year a considerable item to be deducted for the depreciation of Mexican currency.

The experience of foreign merchants in Mexico is especially instructive. The question of exchange on every payment on foreign goods which the importers take into Mexico is one in which they find themselves constantly at a disadvantage. The process of shifting from the silver to the gold standard in making payments is an expensive one. It involves a speculation in silver. Exchange is always against Mexico in consequence of this peculiar condition. The money in which the Mexican importer sells his goods is only merchandise in the market in which he buys them, consequently in every transaction he is obliged to add a very considerable percentage over and above the difference between silver and gold to the price at which he sells his goods in Mexico in order to cover the risk he takes in paying for them in gold. This addition to the price must necessarily eventually come from the consumer, or else the importer suffers loss. But the difficulty which has been experienced in correctly calculating with each importation the amount necessary to cover this risk often results in a loss to the importer. He finds that the price at which he has sold his goods, adding expenses, duties, and exchange into gold, will not cover the price at which he has bought them. It is probably not unfair to say that the average prices of imported goods to the consumer are made at least ten per cent higher than the difference between silver and gold indicates, in consequence of the risk necessary in the conversion from a silver standard to a gold standard in making foreign payments therefor.

Nor is the importer the only one who suffers from the uncertainty involved in making conversion from the gold to the silver standard. The exporter is obliged to take a similar risk. The larger part in value of the exports of Mexico is silver, mostly in the form of silver dollars. Exchange drawn against these shipments is estimated on the London price of silver, and is converted at the Mexican banks into Mexican currency. The conversion involves a speculation by the banks in silver, and the charge for this service is necessarily much higher than it would be if the rate of silver were stable and showed no fluctuations—necessarily much higher than if the Mexican currency were on a gold basis and could be turned without risk into foreign currency on the same basis. In other words, if Mexican domestic trade were conducted on a gold basis, the Mexican mine-owners would receive more for their silver product. The same is true as to producers of all other Mexican products sold in foreign markets.

A friend of the writer, who contemplated engaging in the banking business in the city of Mexico, in making inquiries into the conditions of the exchange market, asked a broker how long it would take him to collect \$25,000 in gold, to be shipped against an equal amount of exchange drawn. The broker replied that he would not be able to find so much gold in the city of Mexico in less than ten days. This fact shows that Mexican exchange must be almost altogether drawn against shipments of silver or merchandise, and the banker who draws such exchange cannot protect himself against the risk of speculation by shipping gold, even if he is willing to pay a premium therefor. How much the export charge, made necessary by the conversion from gold foreign currency into the silver currency of Mexico, adds to the expenses of exportation cannot be readily estimated. It is a fluctuating item, always adding something to the cost of selling in a foreign market, sometimes resulting in loss to the banks on exchange transactions, but generally undoubtedly being a loss suffered by the producer.

The experience of the Mexican importers and exporters affords an exact illustration of what would be the condition of our foreign trade if we were doing business in this country on a silver basis. The imports and exports of Mexico are comparatively small. They amount only to about \$30,000,000 annually of imports, and \$40,000,000 annually of exports. The annual imports of the United States are not less than \$700,000,000, and the annual exports are at about the same figure. If doing business on the basis of depreciated metal is a damage to Mexico, how much more would it affect the commercial affairs of the United States?

The foreign commerce of Mexico in 1880 amounted to only \$5.66 per inhabitant. The foreign commerce of the United States in the same year amounted to \$31.63 per inhabitant. The foreign commerce of the United States is not nearly so great, in proportion to population, as that of the principal nations of Europe; but if this commerce is curtailed or burdened with additional unnecessary charges, it will greatly interfere with our prosperity as a nation. At times in our history there have been outbreaks of narrow-minded American spirit when it was argued that this country was independent of the rest of the world, and would be most prosperous without international commercial intercourse. Many of the advocates of the free coinage of silver have maintained that this nation could adopt and maintain a silver currency, no matter what the other chief commercial nations of the world might do. I think there is a prevailing notion that if we chose to use silver as our monetary basis, whatever loss there might be would fall on foreign nations. According to this idea the foreigners to whom we owe money would be obliged to accept silver instead of gold in payment. This would be simply scaling our debts held by the outside world. But we should still go on conducting our domestic commerce, producing food and manufacturing goods and exchanging commodities among ourselves with as much energy and success as ever. We could be as prosperous as we are now if the civilized nations outside our borders had no existence.

How far this conception of our actual situation is from the truth it is hardly worth while to consider. If we no longer had a foreign market for our wheat and cotton, our petroleum and provisions, if we no longer bought from foreign nations sugar and coffee and tea, it should be apparent to the least intelligent that our buying power of home products would be greatly curtailed and the condition of our lives rendered much less comfortable. We depend on our foreign commerce for our prosperity as absolutely as upon our internal commerce. Every unnecessary impediment placed in the way of our commercial intercourse with other nations is a distinct step backward, and materially damages our welfare.

The effect of estimating our transactions in silver money, while the chief nations with whom we exchange commodities estimate theirs in gold, is not, I think, clearly understood, and, so far as I know, has not been carefully analyzed. Even those who are opposed to free coinage of silver content themselves with saying that it would be a great damage to our foreign commerce, but do not attempt to show the particular forms in which this damage would occur. The condition of Mexican foreign trade illustrates well the damage which

would result to the foreign commerce of the United States if we should come to do business exclusively on a silver standard. It costs the Mexican importer probably from two to five per cent over and above the current discount on silver to make the change from the gold price, in which he buys his goods, to the silver price, in which he sells them. It would cost our importers a similar percentage to make the same conversion. In each case there would be a speculation in silver, and the charge for the risk involved would necessarily be imposed upon the goods imported. This charge would eventually be paid by the consumer. The effect would be the same as if an uncertain and fluctuating additional charge were made for the transportation of goods coming to our shores. Sugar, coffee, tea, rice, all articles which we buy from other countries would experience this rise in price. On our \$700,000,000 of imports this additional exchange charge would aggregate many millions, and would be paid in the long run by the people.

In the case of exports the necessary conversion from a silver to a gold standard would work even more to the disadvantage of the people. For the sake of illustration let us take as an example a common transaction. Say that a London commission merchant buys, through a Chicago commission merchant, 100,000 bushels of wheat, to be shipped to Europe. Say that the price of this wheat is \$1 per bushel in the silver currency of the United States, and that silver is selling in the London market at 42½ pence per ounce, which would be about seventy cents for our silver dollar. The Chicago merchant ships the wheat, draws his draft on the London merchant, and takes it, with a bill of lading, to his Chicago banker. He asks the Chicago banker to buy the draft, in order that he may with the proceeds pay for the wheat. The draft is drawn payable in English currency, which is gold, in London. The Chicago banker in buying the draft is obliged to make the conversion from gold currency to silver. He must estimate the value of the gold draft in silver, based on the quotation for silver in London, and he must take the risk of silver advancing or declining between the time when he buys the draft and the date at which the draft is payable. This necessitates a speculation in silver on his part, and it is reasonable to suppose that he will not engage in the speculation without making a charge which in his opinion will cover the risk of the transaction. What this risk may be will depend somewhat on the activity of the silver market. If silver is rapidly fluctuating in price, the charge will be higher than if the price of silver is comparatively stable; but under the most favorable conditions it is hardly probable that the banker will

take this risk without compensation. He will pay less for the draft than the gold price of silver in London would indicate it worth. Exchange on London now never sells at a greater discount than the cost of sending gold to pay it in London, with interest added for the time. The speculation involved in the conversion from gold to silver would add a new element, and make an additional discount.

Silver may fluctuate five per cent in price while the wheat and the draft are on their way to Europe. If silver advances, the banker who buys the draft at the value of silver at the time when it is drawn will lose money. If silver declines he will make money. It can be readily seen, therefore, that the business of buying exchange against exports will be burdened with a considerable extra charge in consequence of the risk made necessary by the conversion of paper payable in gold into money on the silver basis.

This exchange charge, made necessary in the exportation of wheat by the conversion from gold to silver, must be taken account of by the Chicago merchant in purchasing wheat for export. He will pay less for wheat than he would if there were no exchange charge to be considered in the transaction, and it is obvious that the producer of wheat must eventually sell his product for export at a less price than if no exchange conversion from gold to silver were necessary in disposing of it in a foreign market. All the wheat exported from the United States will suffer this extra expense and be reduced in price accordingly.

It is a common belief that the price of wheat in this country is regulated and determined by the price of so much of our wheat product as is exported. If the wheat taken for export, therefore, must be sold at a less price, in order to pay for the risk made necessary in converting gold to silver, the price of the whole wheat crop must suffer accordingly. Can anyone calculate what will be the effect of this depreciation? Will it be one, two, or three cents less per bushel that the farmers of the country must take for their wheat crop, if it is sold on the silver basis in this country? What is said regarding the price of the wheat crop will be equally true with regard to the prices of our other principal products for export—our cotton and meats, our petroleum and manufactured goods.

We should not forget that much of the prosperity of the United States is due to the well-ordered machinery by which commercial exchanges are here conducted. The facilities afforded for buying and selling, for handling goods, and for settling accounts, in no small degree increase the volume and the profit of our foreign and internal trade. Any change which causes new friction in the machinery will

surely diminish both the volume and the profit of all our business operations.*

What has been said as to what would be the commercial situation of the United States had not the act of 1873 prevented free coinage

* Since this article was written, my attention has been called to a portion of the address delivered before the Bankers' Association, at Saratoga, in August, 1884, by the president of the Association, at that time Mr. Lyman J. Gage, who is vice-president of the First National Bank of Chicago. As the course of reasoning, and the conclusion reached as to the effect of conversions from a gold to a silver standard, and *vice versa*, in making exchanges, is so exactly in accord with what is contained in my article, I quote here nearly all that is there said on that subject:

"It will not be disputed that, for all our commercial transactions with other people, settlement must be made in the London money market. If we buy sugar in Cuba, we pay in London. If we sell goods in Brazil, we take payment in English funds payable in London. So that, whether we buy or sell in the course of our foreign trade, London is the settling-house for all this trade. At the present moment our financial system rests upon, and our commercial values are measured by, the same metallic standard, viz., gold coin. Our gold coin shipped to the British mint may be coined into sovereigns at a nominal expense, and English sovereigns shipped to us may be transmuted into our gold coins at no material cost. Thus, in the competitive struggle for a place in foreign markets, we enjoy a great advantage in using the same metallic money standard.

"The rise and fall of gold, or the rise and fall of commodities in their relation to gold, affect us in our great competition in an exactly similar manner. We enter the commercial contest with weapons equally matched. Now it is proposed to voluntarily surrender this important condition. With silver money of the present weight and fineness the recognized and established money of account in our domestic affairs, we shall have our industrial exchanges carried on under a money standard about fifteen points removed from the English or settling-house standard. Our domestic values will rise and fall in relation to an entirely different standard. Can anyone measure the deranging influence of this fact upon our foreign trade? But this indirect and ambiguous adverse influence is not all. In every settlement abroad we shall be at the disadvantage of converting our domestic money of account, silver, into the English money of account, gold. And that this will always be at a charge to us is plain if we reflect a moment.

"We all know that trade turns upon small percentages, and the larger the transaction the more influential is a fractional per cent. It follows, then, that, with silver the established money of account at home, our foreign trade will be prejudiced and restricted. It follows, also, that those who furnish products to go abroad must furnish them at a price somewhat less, and those who consume products brought from abroad must pay somewhat more, to make good the increased margin for cost and risk in converting the unrelated standards of the two countries. It will give an increased profit to dealers in foreign exchange. It will force the importer to add an extra per cent to his otherwise selling price. It will make the exporter deduct a percentage from his otherwise purchasing price. Who will suffer therefrom? The industrial classes who produce and consume the exchangeable products."

of silver dollars may be said as to the future, should free coinage of silver now be made lawful. The only means of avoiding the expense of converting gold into silver in international exchange, and the consequent burden upon our commerce, would be by raising the price of silver to par with gold and maintaining it at that point. It is improbable that such a consummation could be effected by any act of this nation, or even by a combination of nations. The production of silver is so greatly in excess of the production in the early part of the century, and is so constantly increasing year by year, that the attempt to raise silver to par with gold, even by supplanting the gold in this country entirely by silver dollars as fast as our mints could turn them out, may well seem hopeless.

The following table shows the world's production, and the production of Mexico and of the United States, of silver for periods of five years each, beginning with 1851. (The last figures in this table are for three years only, from 1886 to 1888 inclusive.)

PRODUCTION OF SILVER.

Year.	World.	Mexico.	Per Cent.	United States.	Per Cent.	All other Countries' per cent.
1851-55	\$197,274,775	\$104,635,125	53.0	\$258,250	0.13	46.87
1856-60	203,664,440	101,033,050	49.6	879,000	0.43	49.97
1861-65	246,515,300	106,131,825	43.0	38,481,400	15.0	42.0
1866-70	295,950,850	115,588,025	39.0	65,599,175	22.0	39.0
1871-75	423,870,430	130,555,775	30.7	161,673,555	38.0	31.3
1876-80	477,314,200	128,158,080	27.0	210,538,225	44.0	29.0
1881-85	538,473,400	138,112,610	25.0	244,210,945	44.0	28.0
1886-88	373,597,105	107,049,585	28.7	164,560,820	44.0	27.3

The following table shows the production by years for the last decade, and more plainly illustrates the relation of Mexico and the United States to the silver market:

PRODUCTION OF SILVER.

Year.	World.	Mexico.	Per Cent.	United States.	Per Cent.	All other Countries.
1879	\$96,293,845	\$25,955,780	26.9	\$40,800,000	42.4	\$29,537,265
1880	97,284,135	27,935,950	28.7	39,200,000	40.3	30,148,185
1881	103,715,045	30,200,440	29.1	43,000,000	41.4	30,514,605
1882	108,801,445	30,298,555	27.8	46,800,000	43.0	31,702,890
1883	109,517,730	30,546,490	27.9	46,200,000	42.2	32,771,240
1884	115,383,000	32,742,770	28.4	48,800,000	42.3	33,841,830
1885	121,055,580	34,324,380	28.4	51,000,000	42.6	35,731,200
1886	121,541,320	35,239,670	29.0	51,000,000	41.9	35,301,650
1887	124,833,670	35,743,800	28.6	53,357,000	42.7	35,732,870
1888	127,222,115	36,066,115	28.3	59,195,000	46.5	31,961,000

(The above tables are compiled from figures furnished by the *Commercial and Financial Chronicle* and the reports of the director of the United States Mint, and are probably approximately correct.)

Mexico has produced yearly an increasing quantity, but the United States has increased its production of silver more rapidly. These two countries have increased their production of silver more rapidly than the rest of the world, but everywhere the production of this article has increased.

The price of silver declined from 59½ pence per ounce in London in January, 1873, to 41½ pence per ounce in May, 1888. This decline was attended by considerable fluctuations, and fluctuations still characterize the silver market. The price of standard silver when at par with gold, in London, is 60½ pence per ounce. Although there is no large stock of uncoined silver now in sight anywhere in the world, the large accumulations in the form of plate and ornaments constitute a great reserve stock which would be drawn on undoubtedly if any considerable rise in price should occur. It is quite probable that if the free coinage of silver should be enacted by Congress at the present time, and the capacity of the mints for coining silver be made equal to the demand for silver dollars, silver sufficient to replace all our gold coin would be furnished from the world's stock within a year or two, and without raising the price of silver in the London market to anything like par with gold.

The act of 1878, at present in force, under which \$2,000,000 worth of silver is purchased each month by our Government and coined into dollars, furnishes a market each year for about \$25,000,000 worth of silver, which is coined into more than \$28,000,000 of legal-tender silver dollars. At the time when this act was passed it was predicted by its advocates that the effect of the purchase monthly of silver by the United States would raise the price of silver to par with gold. In February, when this act was passed, silver sold in London at 55½ pence per ounce; in December of the same year it had declined to 49½ pence per ounce; and the decline from that time has been gradual, and apparently unaffected by the purchases of our Government.

In the face of these facts it is reasonable to conclude that any action of the United States in the coinage of silver dollars will not have a permanent effect on the market price of silver bullion. The coinage of the United States, under the act of 1878, of legal-tender silver dollars, has now amounted to about \$350,000,000. The advocates of silver coinage now demand, if free coinage cannot be secured, that the Secretary of the Treasury of the United States exercise the dis-

cretion conferred upon him by that act to purchase \$4,000,000 worth of silver each month to be coined into silver dollars.

What will be the ultimate effect of the coinage of silver dollars, under the act of 1878, should be a matter of grave consideration. Should the coinage continue until there is a supply of this kind of money equal to the monetary needs of the United States, it may well be imagined that a contingency will arise in which this silver money will take the place of the higher valued gold money, and our stock of gold coin be exported. Should such displacement of gold by silver take place in this country, our commercial affairs will necessarily be brought from a gold to a silver basis. In that event, the example of Mexico will be brought home to our experience. Mexico floated from a gold to a silver basis as a log floats down stream. The United States, under similar conditions, would yield to the same resistless forces, although it may be a fully equipped vessel, steered by commercial intelligence, and manned by an energetic crew.

If silver circulation is provided in sufficient quantity for all our monetary uses, either by free coinage or by the manufacture of dollars under the act of 1878, or otherwise, the laws of commercial gravity will draw us down to the silver level.

The paralysis which the use of silver causes in Mexican trade will then also affect our foreign and domestic commerce. Our production, distribution, and consumption will be at a disadvantage. We shall be handicapped in the struggle for life in comparison with the chief European nations. Can we afford to assume this burden?

M. L. SCUDDER, JR.

WINGED WORDS.

THE bee that darts, in June's most glorious hour,
From white to purple, sucking out the sweet,
Knows not it carries on its downy feet
And honey-moistened wings a magic power,
A golden marriage-dust, which some stray flower
Receiving, feels the ovule's life-blood beat,
And finds a new force working to complete
The unfilled promise of her maiden dower.

So some chance utterance, some winged word,
Let fall in common talk, with slight intent,
Has subtle influence on the poet's soul,
Calling to life some thought he had not heard,
Nor knew he had within him, till 'twas blent
With force exterior to an inspired whole.

H. M. BELDEN.

**END OF
TITLE**